

September 2002

2002 - 2007

Arizona Visitor Industry Strategy

Executive Summary

***“Managing the expansion
of Arizona’s economy and
preserving residents’
quality of life”***

Developed through the collaborative efforts of:



Nichols Gilstrap

BACKGROUND

**Tourism's annual
impact on the Arizona
economy:
\$30 billion***

**Lost market share
impact on the Arizona
economy:
-\$4 billion***

**Lost market share
impact on Arizona tax
collections:
-\$140 million***

In 1996, leisure and business-related travel and tourism activity generated an economic impact of more than \$25 billion in Arizona. By the year 2000, the impact had grown to approximately \$30 billion.

While such growth is impressive at first glance, it must be noted that this increase in economic impact occurred during a period in which the state actually *lost* market share. That's because the late 1990s featured impressive growth in travel and tourism-related spending nationally, and some of the more aggressive destinations captured a bigger share of that growth than did Arizona.

If the state had maintained the level of market share it enjoyed in 1996 for each of the subsequent years, an additional economic impact of nearly \$4 billion would have been realized. In addition, maintaining market share would have produced some \$140 million in additional tax revenues to the state's general fund over that period. It is important to note that the lost opportunity in terms of tax collections is of particular concern given the state's current budget challenges.

Recognizing the importance of maintaining--or growing--the state's share of visitor spending, the Arizona Office of Tourism in July of 2001 initiated a long-term strategic planning process to protect what many believe is the state's leading export industry and primary economic development force. The following pages include a summary of the critical issues facing Arizona's visitor industry and a series of steps aimed at reclaiming much needed economic impact.

**"The viability of any
economy is directly related
to the strength of its export
industries."**

* Source: Based on data
provided by DK Shifflet &
Associates and Elliott D.
Pollack & Company

- Elliott D. Pollack,
Arizona Economist



The *State of the Industry* analysis and the 2002 - 2007 *Arizona Visitor Industry Strategy* are designed to serve as a blueprint to guide the efforts of those entities that work cooperatively to increase the ability of the state to successfully compete for visitor spending.

INTRODUCTION

The effort to develop a long-term strategy for the visitor industry began with a strategic assessment, and prioritization, of current market conditions. The final document, called the *State of the Industry*, found that the major issues facing Arizona entities that rely on visitor spending fit within the following key summary statements:

- ◆ Many of Arizona's traditional advantages are being eroded by a high-powered competitive set.
- ◆ New and additional product development is essential to combating forces of competition.
- ◆ The convergence of key trends and emerging technologies are presenting new opportunities for Arizona.
- ◆ Arizona must continue to refine target marketing efforts in order to better compete and maximize investments in destination marketing.
- ◆ New Arizona destination strategies must include a major focus on maintaining air service-related competitive advantages.

In an effort to address these issues, the mission, goals and objectives listed on the ensuing pages have been adopted. The adoption process included:

1. The formulation of recommendations.
2. The testing of those recommendations with industry leaders from across the state.
3. Adjusting the recommendations based on the input received, as well as additional analysis.

It is important to note that the both the *State of the Industry* analysis and the 2002–2007 *Arizona Visitor Industry Strategy* are designed to serve as a blueprint to guide the efforts of those entities that work cooperatively to increase the ability of the state to successfully compete for visitor spending. As a result, neither the analysis nor the strategy were designed to *entirely* fit any individual organization, community or region.

Strategic Plan Structure



MISSION

Manage visitor industry efforts that result in expanded and sustainable economic and quality-of-life benefits for Arizona residents.

“It is vitally important that it be understood that the mission of this strategy is to manage visitor spending so that it ultimately delivers desired benefits to Arizona residents.”

- Mark McDermott,
Director, Arizona Office of
Tourism

The “Advocacy” Goal Track

Cultivate and maintain a support system that guarantees the resources needed to maintain or increase Arizona's ability to successfully compete for increased travel expenditures.

Advocacy Objective 1

Educate travel industry employees and Arizona voters about the importance of visitor spending and how it can be managed to improve Arizona's economy and enhance residents' quality of life.

Key Tactics

- A. Collect information and examples that effectively communicate both what exists in Arizona because of the travel industry and what wouldn't exist if the state's traditional levels of visitor spending were not sustained.
- B. Develop long-term programs that communicate to industry employees and voters (both current and prospective) ways that the visitor spending creates personal benefits for them.
- C. Conduct aggressive information blitzes to stimulate the passage of key state and local government legislation or initiatives that enhance Arizona's ability to compete for visitor spending.

Advocacy Objective 2



The goal of the Marketing Track clearly articulates that it is more important to increase the state's share of visitor spending than it is to simply attract more people.

Educate government and key community leaders about the need to support strategic efforts to increase visitor spending, while also supporting efforts to mitigate challenges.

Key Tactics

- A. Collect and effectively communicate economic and market share research that quantifies the important role visitor spending plays in funding state and local government operations.
- B. Draft and communicate policy papers, as needed, that effectively communicate critical travel industry opportunities, threats and challenges.
- C. Cultivate the active participation and support of key leaders (from government, business, community and media) in destination management organizations.
- D. Elect like-minded leaders to key government positions.

Advocacy Objective 3

Exercise the collective voice of Arizonans in ensuring the collective travel industry has the necessary financial and legislative support needed to aggressively compete for market share.

Key Tactics

- A. Attach this strategy with other critical industry-related issues (e.g., roadside beautification/litter removal) in such a way that generates competitive state tourism office funding levels and increased support for local marketing and product development efforts, while possessing mechanisms to guarantee desired levels of public support.
- B. Secure the support needed to consistently guarantee necessary state and local funding levels, either through legislative action or voter initiative.
- C. Mobilize, motivate and secure the voting power of those directly and indirectly employed by the travel industry in support of such a long-term travel and tourism management plan.

The “Marketing” Goal Track

Attract an increasing share of visitor spending by cooperatively determining target segments that make highly valued contributions to Arizona's economy and residents' quality of life.

Marketing Objective 1

Identify and prioritize the target customer segments that are most likely to respond to Arizona travel marketing efforts and spend aggressively when they travel in Arizona.

Key Tactics

- A. Recommend a preferred targeting approach for those entities and organizations leading cooperative Arizona destination marketing efforts.
- B. Account for the different targeting needs of rural destinations, urban areas, regional cooperatives and those involved in international marketing efforts.
- C. Conduct and disseminate research and information that helps the state, communities and individual entities to continually refine their targets.

Marketing Objective 2

Develop marketing programs and efforts that successfully encourage the most desirable customer segments to visit Arizona and become repeat customers with significant lifetime value.

Key Tactics

- A. Determine and utilize means to assist the state and individual entities and areas to uniquely define their most strategic and desirable customer segments.
- B. Base positioning and branding efforts on Arizona's competitive advantages and give preference to featuring the state's destination drivers.
- C. Develop marketing programs and efforts that regularly speak directly to target customer segments in their native language, at times when they need or desire such communications.

Marketing Objective 3

Maximize cooperative efforts among industry participants to leverage marketing efforts aimed at attracting highly desirable customer targets.

“While it is important to secure the funding needed to allow Arizona to continue to compete for visitor spending, this strategy also places a strong emphasis on cooperation and collaboration in order to maximize our ability to leverage current resources.”

- Roger Beadle,
Chairman, Arizona Tourism
Alliance

Key Tactics

- A. Implement cooperatives that give the state and individual clusters an increased ability to consistently attract target customer segments.
- B. Implement cooperatives that extend the reach, frequency or impact of specific marketing efforts.
- C. Strategically share "lessons learned," critical research and resources that can improve Arizona's ability to more effectively compete for market share.

The "Product Development" Goal Track

Develop the type of destination drivers (new and/or stronger) needed to continually motivate target segments to visit Arizona.

Product Development Objective 1

Target the development of new or improved draws that are consistent with Arizona's positioning, competitive advantage potential and desire to attract specific target customer segments.

Key Tactics

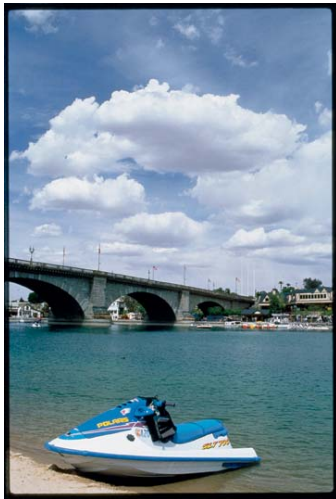
- A. Link the target segments identified from the "marketing track" initiatives to their associated Arizona destination drivers.
- B. Identify new development or revitalization initiatives for key segments that are under attack from our most powerful competitors.
- C. Identify development concepts that leverage existing Arizona drivers.
- D. Prioritize the segments and identified product development opportunities by regions throughout the state.

Product Development Objective 2

Pursue and stimulate the development of desirable destination drivers.

Key Tactics

- A. Establish a clearinghouse center that tracks and communicates new Arizona product development efforts to members of the travel industry.
- B. Develop support materials that outline the opportunity for prioritized product development initiatives.
- C. Identify prospective development entities and proactively communicate and encourage the development opportunity.
- D. Work as a collective industry to develop a set of competitive attraction development incentives that have clear usage guidelines and are available on an ongoing basis.



The packaging or linking of synergistic visitor draws and amenities is, perhaps, the most affordable and easiest to accomplish form of product development.

Product Development Objective 3

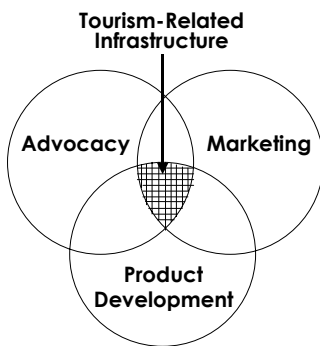
Encourage linkages among existing Arizona products in an effort to maximize their collective drawing power.

Key Tactics

- A. Expand on existing product inventory lists to identify prospective linkages that speak to target market segments.
- B. Develop and promote the type of packages or itineraries that increase Arizona's drawing power relative to its most important competitive segments.
- C. Educate the industry about the importance of packaging and how regions can take advantage of package development and promotion opportunities.
- D. Continue to incorporate incentives in state and local grant programs that encourage integration among Arizona's tourism products and destinations.

TOURISM-RELATED INFRASTRUCTURE ISSUES

A variety of tourism-related infrastructure tactics will need to be emphasized to support each of the previously mentioned goal tracks. While the list of infrastructure issues that were raised as part of this process is exhaustive (ranging from attraction signage to available water), four were deemed to be of such importance that they needed to be highlighted in this five-year strategy summary. They are as follows:



- A. Work with Arizona's airports and its key airlines to help ensure the state maintains diverse and affordable air service.
- B. Coordinate initiatives that help support and grow the availability of a sufficiently large and qualified Arizona workforce.
- C. Leverage the collective power of the industry to support efforts for the expanded funding of Arizona's DMOs, ensuring they possess the resources needed to effectively compete in the future.
- D. Ensure an ability for the tourism industry to respond effectively to emergency and/or disaster situations that can adversely affect the ability of the state or individual communities to compete for visitor spending.



Arizona Strategy Advisory Team

While Nichols Gilstrap, Inc. (NGI) served under contract as the principal *State of the Industry* and 2002–2007 *Arizona Visitor Industry Strategy* author, a strategy advisory team was consulted throughout this process. The team was primarily used to deliver recommendations and to test NGI's initial conclusions and recommendations. Special thanks to the following industry leaders who served as part of this most important advisory group.

Barry Aarons, *Arizona Tourism Alliance and The Aarons Company*
Judith Abrams, *Governor's Tourism Advisory Council*
Bonnie Barsness, *Lake Havasu Tourism Bureau*
Roger Beadle, *Yuma Convention and Visitors Bureau*
Richard Bibee, *Arizona Hotel and Lodging Association*
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Kay Daggett, *Sierra Vista Convention and Visitors Bureau*
Raymond Endfield, *White Mountain Apache Tribe/Tourism Enterprises*
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Tom Silverman, *Chaparral Suites – Scottsdale*
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Hope Wallace, *ADA Travel*
Janet Woolum, *Arizona Office of Tourism*
Joe Yuhas, *Arizona Restaurant Association*



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